

Overfunded Programs May Offer Postal Service Opportunities to Rebound



Last month, we released a report summarizing four reviews on the overfunding of postal employees' and retirees' benefit funds. The report proposed opportunities that could help the Postal Service appropriately fund its pension and retiree health care programs, reduce debt, and dramatically improve cash flow. If our proposals were placed in effect, the Postal Service could potentially recover \$142.4 billion, which could go a long way toward helping the agency regain sound financial footing.

In addition, the Postal Service would no longer be required to prefund their retiree health benefits fund, saving an average of \$5.6 billion per year; could prefund pensions and retirees' health benefits as benchmarked levels; could pay existing retirees' health insurance premiums from the retiree health fund; and could extinguish a \$10 billion debt owed to the U.S. Treasury.

Recovering the \$75 billion overfunding to the Civil Service Retirement System would allow the Postal Service to pay off its debt to the Treasury, avoid future annual interest expense, and fully fund its retiree health care program. A second proposal deals with reducing prefunding levels for pensions and health care to benchmarked standards. The Postal Service is required to fully fund these plans at 100 percent; industry standards are 80 percent for pensions and 30 percent for health care. Combining these two savings amounts to \$55.1 billion. Another opportunity we identified – the overfunding of the Postal Service's contributions to the Federal Employee Retirement System — could potentially recover \$5.5 billion for the Postal Service. Finally, we proposed the health care inflation rate be reduced to the industry standard of 5 percent, down from the 7 percent that OPM used to use. This change would allow the Postal Service to recover an additional \$6.8 billion.

The Postal Service is working with Congress to address these findings. To read the report in its entirety, [click here](#) (Report # FT-MA-10-002). Learn more about the proposed opportunities from an [interview](#) we did on Federal News Radio.